

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



FILED

03/23/20
04:59 PM

Order Instituting Rulemaking to Oversee
the Resource Adequacy Program, Consider
Program Refinements, and Establish
Forward Resource Adequacy Procurement
Obligations.

Rulemaking 19-11-009
(Filed November 13, 2019)

**OPENING COMMENTS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY,
EAST BAY COMMUNITY ENERGY, AND MONTEREY BAY COMMUNITY POWER
AUTHORITY ON TRACK 2 PROPOSALS**

Hilary Staver
Manager of Regulatory and Legislative Affairs
Silicon Valley Clean Energy Authority
333 W El Camino Real, Suite 290
Sunnyvale, CA 94807
Phone: (408) 721-5301
Email: hilary.staver@svcleanenergy.org

Melissa Brandt
Senior Director of Public Policy and Deputy
General Counsel
EAST BAY COMMUNITY ENERGY
1999 Harrison St, Suite 800
Oakland, CA 94612
Tel. (510) 570-5110
Email: mbrandt@ebce.org

Stephen A. Keehn, Manager of Energy Regulatory
and Legislative Affairs
Monterey Bay Community Power Authority
70 Garden Court, Suite 300
Monterey, CA 93940
Phone: (831) 717-3000
Email: skeehn@mbcp.org

March 23, 2020

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee
the Resource Adequacy Program, Consider
Program Refinements, and Establish
Forward Resource Adequacy Procurement
Obligations.

Rulemaking 19-11-009
(Filed November 13, 2019)

**OPENING COMMENTS OF THE SILICON VALLEY CLEAN ENERGY AUTHORITY,
EAST BAY COMMUNITY ENERGY, AND MONTEREY BAY COMMUNITY POWER
AUTHORITY ON TRACK 2 PROPOSALS**

Pursuant to the February 28, 2020, *Administrative Law Judge’s Ruling Modifying Track 2 Schedule*, the Silicon Valley Clean Energy Authority (“SVCE”), East Bay Community Energy (“EBCE”), and Monterey Bay Community Power Authority (“MBCP”) (“the Joint CCAs”) respectfully submit these comments on the Track 2 Resource Adequacy (“RA”) proposals submitted by the Energy Division Staff (“Staff”) and other parties on February 21, 2020, to address issues raised in the *Assigned Commissioner’s Scoping Memo and Ruling*.¹

I. DISCUSSION

The Joint CCAs support the Opening Comments of the California Community Choice Association (“CalCCA”) on Track 2 Proposals. In addition, the Joint CCAs support Proposal A put forth by the Energy Division in Appendix A to the February 21, 2020 *Administrative Law*

¹ *Assigned Commissioner’s Scoping Memo and Ruling*, Jan. 22, 2020 (“Scoping Memo”).

*Judge's Ruling on Energy Division's Proposal.*² Proposal A would reverse the action taken in D.19-02-022 to disaggregate the "PG&E Other" local Resource Adequacy ("RA") requirement area into the six separate areas of Kern, Stockton, North Coast, Greater Fresno, Humboldt, and Sierra. Proposal A would revert load serving entities' ("LSE") local RA requirement to a single, aggregated "PG&E Other" category until the pending central procurement entity is put in place.³

The Joint CCAs recognize the rationale that went into the original disaggregation. In theory, providing more granular signals about where capacity is needed is often a good thing, and avoiding costly backstop procurement was a significant possible benefit of the disaggregation. However, in practice the disaggregation has created problems that outweigh these theoretical benefits. As the numerous waiver requests document, the disaggregation created price spikes that were in some cases well above the RA penalty price, the cost of the California Independent System Operator's ("CAISO") backstop mechanisms, and the historical cost of "PG&E Other" Local RA. Disaggregation created six small RA markets, many of which are dominated by a small number of generators in comparison to the many LSEs now forced to compete for small fractions of capacity in each of the six areas. This in turn resulted in market friction and significantly increased transaction costs associated with executing numerous smaller transactions. These conditions were exacerbated by, as the Energy Division notes in its Proposal, the high percentage of capacity owned by non-CPUC jurisdictional LSEs in some of the six areas.⁴

² *Administrative Law Judge's Ruling on Energy Division's Proposal*, Feb. 21, 2020 (Appendix A) at 2-3 ("Proposal").

³ Proposal at 2-3.

⁴ Id. at 2.

This market dysfunction created by the disaggregation led to RA shortages and significant compliance issues. As noted in the Energy Division’s Proposal, nearly half of the relevant LSEs were forced to file for local RA year-ahead compliance waivers. The Joint CCAs experienced the challenges of procuring disaggregated local RA firsthand. Despite consistent good-faith efforts to comply with local RA requirements (documented in Local RA waiver requests filed by SVCE, EBCE, and MBCP), none of the Joint CCAs was able to meet all their assigned local RA requirements.

PG&E has also raised concerns regarding the impacts of the disaggregation of its “PG&E Other” local capacity area into sub-areas⁵, noting the challenges of meeting compliance requirements in these sub-areas. Through a Petition for Modification in R.17-09-020⁶, and again in this proceeding, PG&E seeks approval of an Alternative “PG&E Other” Local Capacity Area RA Compliance Mechanism.

As noted in the Energy Division Proposal, “on the whole, adequate resources were shown to the CAISO so that no year ahead backstop procurement was needed for 2020.”⁷ However, the number of load serving entities (“LSE”) requesting local RA waivers increased significantly over prior years.⁸ The fact that the total amount of local RA procured in each area was sufficient to avoid CAISO backstop procurement while nearly half of the relevant LSEs were unable to secure sufficient capacity to meet their disaggregated local RA requirements speaks for itself. Creating a compliance structure that sets up a significant portion of the participants to fail regardless of

⁵ See *Track 2 Proposals of Pacific Gas and Electric Company* (U 39 E) (“PG&E Track 2 Proposals”), Feb. 21, 2020, at 11-12.

⁶ R.17-09-020, *Petition for Modification of Decision 19-02-022 by Pacific Gas and Electric Company* (U 39 E), Sept. 11, 2020; PG&E Track 2 Proposals at 11-12.

⁷ Staff Track 2 Proposals at 2.

⁸ *Id.* at 2.

effort to comply dilutes the meaning of compliance. If an LSE makes a good faith effort to comply regardless, such a structure then creates ratepayer costs that are no longer tied to commensurate benefits for grid reliability. Implementing Proposal A would remedy this and, in comparison to PG&E's proposal, also save time for the LSEs in filing and the Staff on reviewing waiver requests while achieving the same ultimate outcome.

SVCE, EBCE, and MBCP thank the Energy Division for recognizing that the implementation outcomes of the disaggregation have been different from those hoped for, and supports implementation of Proposal A.

II. CONCLUSION

SVCE, EBCE, and MBCP thank the Commission for this opportunity to comment on these important issues, and looks forward to engaging with them further in this proceeding.

Dated: March 23, 2020

Respectfully submitted,

/s/ Hilary Staver

Hilary Staver
Manager of Regulatory and Legislative Affairs
Silicon Valley Clean Energy Authority
333 W El Camino Real, Suite 290
Sunnyvale, CA 94807
Phone: (408) 721-5301
Email: hilary.staver@svcleanenergy.org

/s/ Melissa Brandt

Melissa Brandt
Senior Director of Public Policy and Deputy
General Counsel
EAST BAY COMMUNITY ENERGY
1999 Harrison St, Suite 800
Oakland, CA 94612
Tel. (510) 570-5110
Email: mbrandt@ebce.org

/s/ Stephen A. Keehn

Stephen A. Keehn, Manager of Energy Regulatory
and Legislative Affairs
Monterey Bay Community Power Authority
70 Garden Court, Suite 300
Monterey, CA 93940
Phone: (831) 717-3000
Email: skeehn@mbcp.org